

# RatingsDirect®

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## Summary:

# Seal Beach Public Financing Authority, California; Special Assessments

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**Summary:**

# Seal Beach Public Financing Authority, California; Special Assessments

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| Long Term Rating                            | A/Stable | Affirmed |

**Rationale**

Standard & Poor's Ratings Services affirmed its 'A' long-term rating on Seal Beach Public Financing Authority, Calif.'s outstanding refunding revenue bonds. The outlook is stable.

The rating reflects our view of the authority's:

- Very small, but wealthy and fully developed, residential district;
- Strong value-to-lien ratios;
- Rapid debt repayment, with the final debt maturing in 2015; and
- Fully cash-funded debt service reserve fund.

Seal Beach Public Financing Authority's bonds, issued pursuant to California's Marks-Roos Local Bond Pooling Act of 1985, are secured by reassessments levied against property within the Seal Beach Assessment District No. 94-1 (Surfside Colony). Surfside Colony is located in Seal Beach, Calif., and consists almost exclusively of high-end residential homes and some community open space. The district is a guard-gated community and is located on a strip of beach, encompassing approximately 8.2 acres and 272 property parcels, including 186 reassessment units with outstanding reassessments. Residents of the district have an easy commute access to the employment bases of both the Los Angeles and Orange County areas.

Total district assessed value (AV) in fiscal 2014 was about \$165 million, a 5.6% increase from fiscal 2013, and providing for what we consider to be a very strong value-to-lien ratio of 433 to 1. As of the December 2012 disclosure, there were no delinquent assessments within the district. We consider the tax rate to be relatively high at 2.0%. Taxpayer diversity in 2013 was diverse in our view, with the leading 10 property owners constituting 16.5% of the total reassessment lien. Under a stress-test scenario, we estimate that the district could withstand a permanent delinquency of 38% of assessments and be able to pay off the remaining bonds through the 2015 maturity. The debt service fund is fully funded and coverage provided by special tax collections totals 1.0x annual debt service. A reserve fund is also fully funded at maximum annual debt service.

The City of Seal Beach, with a population of about 24,000, is located in northern Orange County, approximately 27 miles southeast of Los Angeles. Residents in the city enjoy high income and low unemployment levels, with median household and per capita effective buying income at 106% and 167%, respectively, of the national level. The city's preliminary unemployment rate was 4.5% in June 2013.

## Outlook

The stable outlook reflects our expectation that the district will not dilute coverage with additional bonds. Due to the currently strong coverage and relatively soon maturity, we do not anticipate changing the rating during the two-year horizon of the outlook.

## Related Criteria And Research

USPF Criteria: Special-Purpose Districts, June 14, 2007

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